Glossary

Section 4(1½)

What has come to be known as a Section 4(1½) or Section 4(a)(1½) transaction is a private resale of **restricted securities** that technically relies on the **Section 4(a)(1)** registration exemption. The Section 4(1½) private resale exemption is not formally established by any written **SEC** rule or regulation. It has developed over time and is only discussed in case law. The **Fixing America's Surface Transportation Act** (Fast Act), enacted December 4, 2015, codifies a new exemption for certain resales of securities under Section 4(a)(7) of the **Securities Act of 1933**, as amended, which is similar in some respects to Section 4(1½) transactions.

Sellers that want to claim this resale exemption can sell to **sophisticated investors** (such as **accredited investors**) who would have been eligible to purchase the unregistered securities directly from an issuer, and must comply with the rules typically prescribed for **Section 4(a)(2)** (formerly Section 4(2)) or **Regulation D** private placements by issuers. Restrictions vary based on the issuer, the nature of the investors and the size of the offering.

For more information on Section 4(1½) resales, see Practice Note, Resales Under Rule 144A and Section "4(1½)".

For more information on Section 4(a)(2) and Regulation D private placements, see Practice Note, Section 4(a)(2) and Regulation D Private Placements.

RELATED CONTENT

Practice notes

Resales Under Rule 144A and Section "4(1½)" • Maintained

Section 4(a)(2) and Regulation D Private Placements • Maintained